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Arizona Corporation Commission

DOCKETED

APR 20 2017

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GB

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE, Chairman

BOB STUMP

BOB BURNS

ANDY TOBIN

TOM FORESE

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A HEARING TO
DETERMINE THE FAIR VALUE OF THE
UTILITY PROPERTY OF THE COMPANY
FOR RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH A RETURN

Docket No.: E-01345A-16-0036
E-01345A-16-0123

**NOTICE OF FILING OF
CORRESPONDENCE**

The City of Sedona, through undersigned counsel, hereby gives notice of filing the
attached correspondence to the above-referenced Dockets.

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Dated this 17th of April, 2017



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CERTIFICATE OF SERVICE

ORIGINAL AND THIRTEEN COPIES

Of the foregoing mailed this 17th day
of April, 2017 to:

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April 12, 2017

Arizona Corporation Commission
1200 W. Washington St.
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Re: Docket Nos. E-01345A-16-0036; E-01345A-16-0123

Dear Commissioners:

This letter is intended to clarify various positions of the City of Sedona (City) in regard to the above-referenced Dockets (hereinafter referred to as the "APS Rate Case" or "Rate Case"). As you probably know, the City is an intervenor in the Rate Case. In the City's role as an intervenor, the City actively participated in the settlement discussions coordinated by Commission staff and APS. Due to logistical challenges in obtaining public input before making a formal decision on whether or not to support the eventual settlement reached by the parties ("Settlement Agreement"), the City took no action in that regard. However, the City believes that it is important for our position on several key issues to be addressed. Accordingly, we will attempt to outline those issues herein.

I. Automated Metering Infrastructure

The first issue which we would like to address is the Automated Metering Infrastructure (hereinafter referred to as "AMI" or "smart meter") opt-out program. Although the terms of the Settlement Agreement allow for the opt-out of residential customers, such opt-out requires the payment of a conversion fee for existing AMI customers and a monthly meter reading fee for all opt-out customers.¹ Further, the opt-out provisions are limited to residential customers and specifically exclude commercial and rooftop solar customers.

Although APS has indicated that business turnover creates an administrative burden and that prohibiting commercial customers from opting out of smart meters would reduce that burden, the City believes that commercial customers may have the same concerns that residential customers have and the right of both customer classes to opt-out ought to be preserved.

In regard to solar customers, APS has indicated that prohibiting solar customers from opting out helps APS manage the overall energy generation system. However, it appears to the City as though the system is reasonably managed currently while solar customers are allowed to opt-out. APS customers who generate solar energy and opt out of smart meters constitute a very small portion of the overall APS customer base. Hence, the significance of

¹ The monthly meter reading fee was the subject of negotiation during the settlement discussions.

identifying this class of customer for differential treatment appears to have little, if any, operational impact to APS and the ability of solar customers to opt-out should be preserved.

II. Monthly Meter Reading Fees

The City's position upon filing its Application for Intervention in this Rate Case was that customers choosing to opt-out of the smart meter program should not have to incur any fees for simply maintaining their analog or digital meter as it currently exists, or for removing a smart meter and replacing it with a non-standard meter. There was, and continues to be, strong opposition within the community toward the requirement for any fees to be assessed on customers simply for choosing to opt-out of smart meters.

Entering the recent settlement discussions, APS initially requested a \$15/month opt-out fee, even though the Commission had previously ruled that only a \$5 opt-out fee was justified, in Decision #74871. Leading up to that decision, the City had argued that no opt-out fee was justified. Given the evidence presented to the Commission about AMI meters prior to that decision and a comparison of the costs associated with maintaining and replacing both AMI and non-AMI meters, it remains the City's current position that, while a \$5 opt-out fee is less of a burden on APS customers and more desirable than a \$15 opt-out fee, no opt-out fee should be charged.

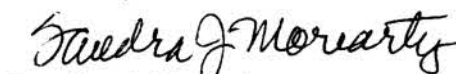
III. Analog Meters

The City understands that the APS application and proposed AMI opt-out program would limit customers choosing to opt-out of smart meters to having analog meters replaced with digital meters. As justification for this limitation, APS has indicated that analog meters are inaccurate, are inefficient to maintain, and will eventually fail altogether. Despite those assertions, there has been no evidence provided in support of the claim that all analog meters need to be replaced immediately.

Because there is a lack of reasonable cause for existing analog meters to be replaced, customers with analog meters should be allowed to keep those meters for the remainder of the useful life of that meter or until actual failure of the analog meter occurs.

In closing, the City appreciates its ability to have played a meaningful role in the Rate Case process. We believe very strongly that the collective participation by those within our community choosing to express themselves should be considered not only by the City Council, but by the parties to the Rate Case and the Commission itself. Only through a constructive consideration of all factors and viewpoints can the Commission be expected to arrive at a well informed decision that is of mutual benefit to both the utility and the customers it serves.

Sincerely,



Sandra J. Moriarty

Mayor

City of Sedona